

## Message Text

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46/15

ACTION EA-13

INFO OCT-01 SS-14 ISO-00 EUR-10 NSC-07 NSCE-00 CIAE-00

INR-10 NSAE-00 RSC-01 DODE-00 L-02 IO-03 DLOS-03

FEA-01 SP-01 EB-03 COME-00 SCI-01 OMB-01 TRSE-00

CIEP-01 PM-03 PRS-01 CG-00 DOTE-00 DRC-01 COA-01 /078 W

----- 093560

R 170945Z APR 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 1826

AMEMBASSY SAIGON

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PHNOM PENH

AMEMBASSY ROME

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

POLAD

C O N F I D E N T I A L JAKARTA 4655

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, PBOR, VS, ID

SUBJECT: ENERGY-LOS (CERP/EAL): GOI-GVN CONTINENTAL

SHELF DISPUTE

REF: A. JAKARTA A-243 OF 10/25/72 (NOTAL)

B. JAKARTA A-52 (NOTAL)

C. SAIGON 4170 (NOTAL)

1.. SUMMARY: AS SEEN FROM JAKARTA, GOI-GVN SOUTH  
CHINA SEA CONTINETAL SHELF DISPUTE MAY BE REACHING  
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SERIOUS PROPORTIONS. GOI RECENTLY DECIDED NOT RPT

NOT TO OFFER FURTHER COMPROMISE FOR RESOLVING GOI-GVN SOUTH CHINA SEA CONTINENTAL SHELF DISPUTE. GOI WISHES AVOID ESTABLISHING UNDESIRABLE LOS PRECEDENT AND SACRIFICING GOI CLAIM TO HIGHLY PROSPECTIVE OFFSHORE OIL AND GAS AREA. GOI REPORTEDLY NOW BUILDING UP AIR FORCE CAPABILITY AT NATUNA ISLAND TO SIGNAL GVN NOT TO HARASS OFFSHORE DRILLING ACTIVITY TO BEGIN IN DISPUTED AREA LATER THIS MONTH. ACTION REQUESTED: WE WOULD APPRECIATE DEPARTMENT'S AND EMBASSY SAIGON'S READING CURRENT GVN POSITION ON GVN-GOI SOUTH CHINA SEA CONTINENTAL SHELF DISPUTE AND WHETHER ATMOSPHERE EXISTS FOR POSSIBLE COMPROMISE. END SUMMARY.

2. BACKGROUND: SEVERAL YEARS AGO, GOI (1968, 1969 AND 1971) AND GVN (1971) ISSUED REGULATIONS/DECREES ESTABLISHING CONTINENTAL SHELF BOUNDARIES IN SOUTH CHINA SEA RESULTING IN SUBSTANTIAL OVERLAPPING CLAIMS OF ABOUT 16,000 SQUARE MILES. (REFAIR A). IN DECEMBER 1968 AGIP (ITALIAN OIL COMPANY) SIGNED PRODUCTION SHARING CONTRACT WITH PERTAMINA/GOI FOR OIL AND GAS EXPLORATION AND DEVELOPMENT INCLUDING PART OF WHAT IS NOW DISPUTED AREA. SUBSEQUENTLY, GVN DESIGNATED CONCESSIONS IN OFFSHORE AREA AND SIGNED AGREEMENTS WITH SUNNINGDALE OIL (CANADA) AND SHELL/CITIES SERVICE (US) THAT PARTIALLY FALL IN DISPUTED AREA. THERE IS ALSO POSSIBILITY THAT PART OF MOBIL'S CONCESSION IS IN AREA CLAIMED BY GOI. MEANWHILE, MALAYSIA AND INDONESIA SIGNED (1969) AGREEMENTS DELIMITING CONTINENTAL SHELF ON EAST AND WEST SIDES OF SOUTH CHINA SEA.

3. IN JUNE 1972 GOI/GVN NEGOTIATORS MET INFORMALLY (DUE TO LACK OF DIPLOMATIC RELATIONS) AND ATTEMPTED UNSUCCESSFULLY TO REACH COMPROMISE AGREEMENT (REFAIR A). GOI INSISTED ON EQUIDISTANT BASELINE DETERMINED BY "OUTERMOST ISLANDS"(SMALLER NATUNA ISLAND), WHILE GVN PROPOSED BASELINE DETERMINED BY "OUTERMOST MAINLAND" (KALIMANTAN). TO OUR KNOWLEDGE THERE HAVE BEEN NO GOI/GVN DISCUSSIONS THIS SUBJECT SINCE JUNE 1972.

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4. PRESENT STATUS: GOI DIRECTORATE OF OIL AND GAS (MIGAS) OFFICIAL AND SECRETARY OF TECHNICAL EXPERT TEAM FOR LOS ISSUES TOLD EMBOFF THAT PRESIDENT SUHARTO, ON RECOMMENDATION GOI CABINET-LEVEL POLITICAL SUBCOMMITTEE DECIDED MARCH 28 NOT RPT NOT TO GO BEYOND COMPROMISE PROPOSED BY GOI JUNE 1972 TO RESOLVE SOUTH CHINA SEA CONTINENTAL SHELF DISPUTE. (MEMCON BEING POUCHED). TO ACCEPT GVN JUNE 1972 COUNTERPROPOSAL WOULD REQUIRE

SACRIFICING "EQUIDISTANT BASELINE FROM OUTERMOST ISLANDS" PRINCIPLE AND COMPLICATE FUTURE NEGOTIATIONS WITH OTHER COUNTRIES(REFAIRB).

5. ACCORDING MIGAS OFFICIAL, POTENTIAL COMPROMISE FURTHER COMPLICATED BY RECENT OIL AND GAS DISCOVERIES. AGIP HAS BEEN ACTIVELY EXPLOORING AND DRILLING IN DISPUTED AREA IN ACCORDANCE PRODUCTION SHARING CONTRACT SIGNED DECEMBER 1968. ABOUT TWO MONTHS AGO, AGIP DISCOVERED VERY LARGE NATURAL GAS DEPOSIT (PERHAPS UP TO SEVEN TRILLION CUBIC FEET) IN EASTERN PART OF ARREA. (FYI. THIS DISCOVERY HAS NOT RPT NOT BEEN ANNOUNCED). ABOUTT SAME TIME EXXON DISCOVERED OIL IN MALAYSIAN WATERS NEAR WESTERN BOUNDARY DISPUTED AREA. AGIP NOW PLANNING DRILL IN WESTERN PART OF DISPUTED AREA AND GVN PLANNING TO AWARD OFFSHORE CON-  
CESSIONS, SOME (BLOCKS 5,6,8,13,16,21,20,23)  
REPORTEDLY IN DISPUTED AREA (REFTEL C).

6. MIGAS OFFICIAL SAID DPOSSIBLE COMPROMISE SOLUTIONS DEVELOPED BY GOI TECHNICAL EXPERT TEAM FOR LOS ISSUES WERE RECENTLY REPORTED TO GOI CABINET-LEVEL POLITICAL SUBCOMMITTEE BUT PRESIDENT SUHARTO DECIDED ON MARCH 28 TO SUPPORT SUBCOMMITTEE POSTION NOT TO OFFER FURTHER COMPROMISE. MIGAS OFFICIAL SAID INDONESIAN MILITARY (HANKAM) CONVINCED PRESIDENT THAT BUILDUP OF GOI AIR FORCE CAPABILITY ON NATUNA ISLAND AND EXISTANCE OF GOI-GOM JOINT NAVAL AGREEMENT MINIMIZE RISK OF GVN GUNBOAT DIPLOMACY.

7. DAO OFFICE REPORTS GOI AIR FORCE PRESENTLY HAS PLATOON STATIONED NATUNA ISLAND AND PLANS TO UPGRADE  
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FACILITIES. ALSO GOI/GOM RECENTLY COMPLETED JOINT NAVAL EXERCISES IN AREA AND FUTURE JOINT EXERCISES ARE SCHEDULE IN SOUTH CHINA SEA.

8. COMMENT: MIGAS OFFICIAL EXTREMELY CONCERNED THAT FAILURE TO RESOLVE GOI-GVN CONTINENTAL SHELF DISPUTE COULD LEAD TO MILITARY CONFRONTATION INVOLVING GOI, GOM AND GVN UNLESS HIGH LEVEL GOI-GVN POLITICAL DISCUSSIONS BEGIN SOON. WE ARE SEEKING TO ASCERTAIN WHETHER THERE IS SIMILAR CONCERN IN OTHER GOI CIRCLES AND WILL REPORT ADDITIONAL INFO AS IT BECOMES AVAILABLE. ACTION REQUESTED. WE WOULD APPRECIATE DEPARTMENT'S AND EMBASSY SAIGON'S ASSESS-  
MENT CURRENT GVN POSITION ON CONTINENTAL SHELF DISPUTE AND WHETHER ATMOSPHERE EXISTS FOR POSSIBLE

COMPROMISE.

NEWSOM

NOTE BY OC/T: COA PLEASE TAKE AS ORIGINAL

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NNN

## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ENERGY, LAW OF THE SEA, CONTINENTAL SHELF, PETROLEUM CONCESSIONS, PROPOSALS (BID)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 APR 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** LIMDIS  
**Reference:** A. JAKARTA A-243 OF 10/25/72 (NOTAL)  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
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**Review Content Flags:**  
**Review Date:** 15 APR 2002  
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**Review History:** RELEASED <15 APR 2002 by ifshinsr>; APPROVED <22 JUL 2002 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
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30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENERGY-LOS (CERP/EAL): GOI-GVN CONTINENTAL SHELF DISPUTE  
**TAGS:** ENRG, PBOR, VS, ID, US  
**To:** STATE SAIGON  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005